MICHAEL LIGON RESOURCE LIBRARY

Business Acquisition Checklist

A practical acquisition review guide for investors, operators, buyers, partners, and decision makers evaluating business quality, risk, value, structure, and execution.

1	**Strategic fit**
2	**Financial review**
3	**Operations**
4	**Risk signals**
5	**Deal structure**

IMPORTANT

This checklist is general information only. It is not legal, tax, accounting, investment banking, valuation, securities, lending, or professional advice. No acquisition, funding, valuation, review, response, partnership, or outcome is guaranteed.

HOW TO USE THIS CHECKLIST

Review the business before falling in love with the deal.

A business acquisition can look attractive on the surface while hiding problems inside the numbers, people, systems, customer concentration, legal exposure, or owner dependency. This checklist is built to slow the decision down and organize the review.

CORE PRINCIPLE

The goal is not to prove the deal is good. The goal is to understand what is actually being bought, what risk comes with it, and whether the structure makes sense.

1	2	3	4	5
FIT	NUMBERS	SYSTEMS	RISK	TERMS

01

Use it before serious talks

Use the checklist before spending major time, money, or reputation on an acquisition conversation that has not been properly framed.

02

Use it during review

Use the checklist to organize questions, documents, red flags, and the missing information that needs to be verified.

03

Use it before structure

Use the checklist before discussing price, seller financing, earnouts, partner roles, control, or capital.

04

Use it before committing

Use the checklist before making promises, signing letters, wiring deposits, or involving outside capital.

ACQUISITION THESIS

Every acquisition needs a reason stronger than enthusiasm.

A business should not be acquired only because it is available. The buyer needs a clear thesis for why the business fits, how value can be protected, and what must be true after closing.

KEY QUESTION

Why does this acquisition make sense for this buyer, at this time, under this structure?

A

Strategic fit

The business should fit the buyer's experience, capital, management ability, risk tolerance, market view, and operational capacity.

B

Value creation path

There should be a clear path to protect, improve, integrate, expand, stabilize, or reposition the business after closing.

C

Downside logic

The buyer should understand what could go wrong and how loss, disruption, or operational damage would be contained.

D

Owner transition

The buyer should understand how the seller exits, assists, trains, introduces, or remains involved after closing.

FINANCIAL REVIEW

Numbers need to be understood, not just received.

Financial statements can tell part of the story, but they rarely tell the whole story. The buyer must review quality of earnings, recurring revenue, expense adjustments, working capital, debt, tax treatment, and owner benefits carefully.

1

Revenue quality

Separate recurring revenue, one time sales, seasonal spikes, customer concentration, project based income, and owner driven revenue.

2

Profit reality

Review gross margin, operating income, add backs, owner benefits, payroll normalization, rent, debt service, and true cash flow.

3

Working capital

Understand accounts receivable, inventory, deposits, payables, prepaid expenses, operating reserves, and cash needs after closing.

4

Tax and debt picture

Review tax returns, loans, liens, leases, equipment obligations, merchant advances, tax liabilities, and off balance sheet obligations.

REVIEW NOTE

Strong acquisition review should compare what the seller says, what the financials show, and what operating reality confirms.

OPERATIONS REVIEW

A good business should be able to function after the seller steps back.

Many small and mid sized businesses are more dependent on the owner than the numbers suggest. A buyer needs to understand the people, process, systems, customers, suppliers, and daily workflow behind the income.

O

Owner dependency

Identify what the owner personally controls: sales, pricing, banking, relationships, operations, hiring, vendor deals, and problem solving.

T

Team strength

Review key employees, compensation, retention risk, informal knowledge, leadership gaps, and who actually runs the business day to day.

S

Systems and process

Review software, documentation, SOPs, reporting, scheduling, customer records, fulfillment, and operational consistency.

V

Vendor and supply risk

Review vendor concentration, contract status, terms, pricing, delivery risk, exclusivity, and whether relationships transfer.

CUSTOMERS AND MARKET POSITION

A business is only as strong as the demand that remains after closing.

Revenue should be reviewed through customer quality, market position, referral sources, repeat demand, pricing power, reputation, competition, and whether the business can keep earning after ownership changes.

C

Customer concentration

Identify whether a small number of customers control too much revenue or profit. Concentration can create hidden risk.

R

Referral dependency

Review whether leads come from the seller, employees, one platform, one relationship, or a channel that may not transfer.

M

Market position

Understand why customers choose this business and whether that advantage is durable, replaceable, or dependent on the owner.

P

Pricing power

Review whether margins rely on underpriced labor, outdated vendor terms, market timing, or seller relationships that may change.

RISK SIGNALS

The red flags usually appear before the documents are complete.

Most bad acquisitions show warning signs early. The buyer’s job is to notice them before emotion, sunk cost, or deal momentum makes the decision harder.

- Seller cannot explain revenue changes, margin changes, or customer losses clearly.
- Financial statements, tax returns, bank deposits, and seller claims do not line up.
- Too much revenue depends on the seller, one customer, one employee, one vendor, or one platform.
- Key employees do not know about the sale or may leave after closing.
- Important contracts, licenses, leases, permits, or vendor relationships may not transfer.
- The business has unpaid taxes, debt, liens, legal disputes, warranty exposure, or regulatory issues.
- The seller wants speed before the buyer has enough information to understand the risk.

DECISION RULE

If the seller resists normal verification, the buyer should slow down. Real businesses can usually survive serious questions.

DEAL STRUCTURE

The price is only one part of the acquisition.

The same business can be a good deal or a bad deal depending on structure. Payment timing, seller support, transition terms, liabilities, working capital, contingencies, control, and risk allocation can matter as much as price.

A

Asset or equity purchase

Understand what is actually being acquired, what liabilities remain, and what legal or tax structure applies.

F

Seller financing

Review the note terms, collateral, default rules, transition obligations, and whether the structure aligns incentives.

E

Earnouts and holdbacks

Use carefully when future performance, customer retention, or seller involvement needs to be verified over time.

T

Transition support

Define training, introductions, consulting, employee communication, noncompete terms, and what seller help is required after close.

DUE DILIGENCE CHECKLIST

Request the facts before debating the headline price.

A serious review depends on documents, context, and verification. The checklist below helps organize what should be requested early.

- Three years of profit and loss statements, balance sheets, and tax returns if available.
- Current year financials, bank statements, debt schedule, payroll reports, and owner compensation summary.
- Customer concentration report, sales by customer, recurring revenue detail, and lost customer history.
- Employee list, roles, compensation, tenure, agreements, contractor relationships, and retention concerns.
- Lease agreements, equipment list, vendor contracts, insurance, permits, licenses, and software systems.
- Known legal issues, tax issues, warranty claims, disputes, liens, complaints, or regulatory concerns.
- Seller transition expectations, reason for selling, desired timing, and preferred deal structure.

BUYER READINESS

The buyer must be prepared before asking the seller to be transparent.

A business acquisition is not only about evaluating the seller. The buyer also needs clarity on capital, management capacity, operating skill, acquisition criteria, and decision authority.

C

Capital readiness

Know available capital, financing sources, investor expectations, down payment capacity, working capital needs, and closing requirements.

O

Operating capacity

Confirm who will run the business, who will manage employees, and what support is needed during transition.

D

Decision authority

Know who approves terms, legal review, due diligence, capital, documents, and final commitment.

P

Post closing plan

Identify the first 30, 60, and 90 day priorities before closing, not after the business changes hands.

BUYER NOTE

A buyer who cannot explain the plan after closing is not ready to judge the business before closing.

ACQUISITION REVIEW SCORECARD

Use this scorecard before deciding whether to continue.

This scorecard is not a formula. It is a way to organize the conversation and identify whether the opportunity deserves more time, more diligence, or a clean pass.

1
Strategic fit
Does the business fit the buyer, market, experience, capital, and operating plan?

2
Financial clarity
Do the numbers support the story, and can earnings be verified through documents and reality?

3
Operational transferability
Can the business function after the seller exits or reduces involvement?

4
Risk control
Are the major risks identified, understood, and addressable through structure or diligence?

5
Deal structure
Do the terms protect downside while giving both parties a clear path to close?

6
Post close path
Is there a realistic plan for stabilization, integration, growth, or improvement after closing?

FINAL QUESTIONS BEFORE MOVING FORWARD

A serious acquisition should survive direct questions.

Before moving forward, the buyer should be able to answer the following questions clearly.

- Why does this acquisition make sense right now?
- What exactly is being acquired, and what is excluded?
- What happens if the seller, one key employee, or one major customer disappears after closing?
- What must be verified before price or structure can be trusted?
- What working capital, management, legal, tax, and transition issues could affect the outcome?
- What structure protects the buyer without making the deal impossible for the seller?
- What would make this deal a clear no?

MOVE FORWARD ONLY WHEN

The opportunity has strategic logic, the numbers can be verified, the risks are identified, and the structure gives the buyer a rational path forward.

ABOUT MICHAEL LIGON

Strategic capital investor, business operator, real estate investor, author, and opportunity reviewer.

Michael Ligon reviews opportunities through the lens of capital, structure, risk, timing, ownership, operations, and practical execution. His work spans real estate, private business, capital, partnerships, public markets, strategic reviews, and special situations.

The purpose of this resource is to help serious buyers, operators, owners, investors, and partners think more clearly before a business acquisition conversation becomes expensive, emotional, or poorly structured.

MichaelLigon.com is built for serious opportunities where discipline, structure, experience, and strategic review can change the quality of the decision.

RESOURCE LIBRARY

This guide is part of the Michael Ligon Resource Library, created for people reviewing real estate, capital, business, partnership, and special situation opportunities.

NEXT STEP

Bring the opportunity forward when the business deserves a serious review.

If the acquisition has a real seller, a real business, meaningful numbers, a credible reason to exist, and a structure worth exploring, the next step is to organize the facts and bring the opportunity forward clearly.

RECOMMENDED SUBMISSION PACKAGE

Include the business summary, location, industry, revenue range, profit range if known, reason for sale, seller expectations, asking price or desired structure, documents available, timing, and why the opportunity may be worth reviewing.

1. **Good submissions are specific**

   Explain what the business is, why it is available, what the seller wants, and what decision needs to be made.

2. **Good submissions include context**

   Include timing, risk, people involved, capital need, known issues, and why the opportunity exists now.

3. **Good submissions respect review time**

   Send the facts first. Do not send vague hype, incomplete claims, or unsupported numbers.

4. **Good submissions know the next step**

   If the opportunity fits, the next conversation should clarify structure, diligence, and the path forward.

Bring an opportunity:

https://www.michaelligon.com/opportunities/bring-me-an-opportunity/

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